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S E C R E T SECTION 01 OF 06 ABU DHABI 000422

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STATE FOR ISN J.ROOD, C.RUSSELL, R.PAN, T.FOLEY,  
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TREASURY FOR B.HAMMERLE  
NSC FOR D.STEPHENES

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TAGS: PREL PARM PGOV ETTC ETRD ECIN AE IR

SUBJECT: MARCH 1 US-UAE COUNTERPROLIFERATION TASK FORCE

REF: ABU DHABI 367

Classified By: Charge d'Affaires Martin R. Quinn, for reasons 1.4 b and d.

1.(S) Summary: NSC Acting Senior Director for Counterproliferation Strategy David Stephens led an interagency delegation to the March 1 U.S.-UAE Counterproliferation Task Force (CTF) in Abu Dhabi to raise significant export control and interdiction issues with the UAE. UAE CTF Chairman Brigadier Mohammad al Qamzi provided updates to CP cases -- including wide-ranging discussions about Mayrow General Trading -- and a summary of 2006 interdiction requests. ASD Stephens emphasized that UNSCR 1718 and UNSCR 1737 established new obligations on states to act against North Korean and Iranian proliferation activities, and he asked how UAE interdiction policies and authorities had been adapted. In response to Department of Commerce explanation of the new U.S. export licensing category, (Country Group C for &destinations of diversion concern8), Qamzi later said putting the UAE in this category would "demean" all the work of the CTF. Qamzi said to expect passage of the UAE export control law "sooner rather than later" and is confident it will give UAE agencies broader ability to prosecute proliferators who abuse UAE trade and commerce. (NOTE: The UAE Cabinet passed the law on March 4 and passed the text to the Federal National Council for further review. END NOTE.)

2.(S) Summary continued: The UAE's existing CTF and its new Commodity Control Group will merge and address export control issues as one. Qamzi used a discussion of proliferation finance issues to encourage better coordination among the two governments and deferred decisions about participating in PSI-related exercises to the military. The CTF agreed to schedule an Export Control Working Group meeting for late April, assuming the UAE's new export control law was completed by then, to discuss the law and focus on next steps, including the development of implementing regulations, while a UNSCR 1718/UNSCR 1737 Working Group and a Counterproliferation Cooperation Working Group were proposed for the May timeframe. An extensive list of after action items were identified for both sides. Unlike the previous CTF meeting, which took place on the heels of two unsuccessful interdiction attempts, the exchange was cordial and collaborative, in part because the UAE had good news to convey regarding their export control law and closure of a number of companies of concern, including Mayrow. The

adoption of UNSCRs 1718 and 1737 also provided the UAE with legal authorities that should enable them to work with the U.S. more cooperatively in future interdiction cases. End Summary.

Delegations

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3.(U) NSC Acting Senior Director for Counterproliferation Strategy David Stephens led an interagency delegation to the March 1 U.S.-UAE Counterproliferation Task Force (CTF) in Abu Dhabi. The U.S. delegation included: the Ambassador; Matt Borman, Deputy Assistant Secretary for Export Administration, Bureau of Industry and Security, Department of Commerce (DOC/EA/BIS); Barbara Hammerle, Deputy Director, Office of Foreign Assets Control, Department of the Treasury; Caroline Russell, Deputy Director, Office of Counterproliferation Initiatives, Bureau of International Security and Nonproliferation (ISN/CPI), Department of State; Renee Pan, ISN/CPI; Lisa Meyers, DOC/EA/BIS; Colonel David Belote, USAF, Chief of Combating Weapons of Mass Destruction Division, J5; EconChief; PolEconoff; DHS/ICE Attaché; DOC/BIS Attaché; OFAC Attaché; and the Defense Attaché.

4.(C) Brigadier General Mohammad bin Dhaen Al Qamzi, Director of Dubai's General Department of State Security (GDSS) led an expanded UAE Counterproliferation Team which included for the first time representatives from the Office of the Crown Prince of Abu Dhabi, the General Headquarters of the Armed Forces (GHQ), General Department of Civil Defense, the Central Bank and the Ministry of Economy. The UAE delegation included: Brigadier General Abdul Aziz Maktoum Al Sharifi, Protective Security Administration, Ministry of Interior

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(MoI); Anwar Baroud, Ministry of Foreign Affairs; Yousef M. Al Otaiba, Director of International Affairs, Office of the Crown Prince of Abu Dhabi; Colonel Awadh Obaid Al Nayadi, GHQ; Staff Lieutenant Colonel Salem Rashid Salem Al Hassani, GHQ; Lieutenant Colonel Mohammad Othman, State Security; Lieutenant Colonel Abdullah Hasan Abdullah Mohammad, General Department of Civil Defense; Abdullah Mohammad Al Mitawa, Ministry of Energy; Saeed Khalifa Al Marri, Federal Customs Authority (FCA); Ahmed Saeed Al Qamzi, AMLSCU, Central Bank; a Ministry of Economy representative; Mohammad Khalifa Al Kitbi, Protective Security Administration, MoI; Major Mansour Abdallah, GDSS; and Ahmad Mohammed Al Bakr, FCA.

Opening Remarks a Snapshot of UAE CP Work

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5.(S) Qamzi welcomed the U.S. delegation and said the UAE is proud to do its part in nonproliferation. He said UAE was targeting its counterproliferation efforts against two kinds of proliferation activity that occur in the UAE: UAE companies re-exporting sensitive and controlled goods to countries of proliferation concern and vessels transiting or transshipping proliferation-related goods through the UAE to final destinations. Qamzi briefed on UAE CP work, including having shut down 24 companies, investigating more, deporting foreign nationals involved in proliferation, working closely with liaison partners, and informing UAE ministries of UNSCRs. He stated the Central Bank has closed some accounts linked to proliferation trade and forbidden individuals who had accounts closed or are under investigation from opening new accounts. He also stated that the Central Bank has informed banks in the UAE not to open accounts for countries that are the subject of UNSCRs (i.e., Iran and North Korea.)

6.(S) Qamzi identified seven interdiction requests made diplomatically by the U.S. in 2006 and the corresponding results, indicating: the Iran Shahryar which was carrying aluminum was twice diverted; the Iran Baluchistan did not have the suspected container on board; and the Iran Esfahan departed the UAE before container numbers could be delivered

in time. He said the Tabatabaie was diverted, adding that this suggests the Iranians are either changing their routes or possibly providing bad information to mask shipments.

(Comment: We believe that Qamzi, in referencing two aluminum interdictions, was referring to the Wan Hai 311 and the Iran Shahryar. The request on the Wan Hai 311 was made in January 2006. End comment.) Qamzi pointed out that the Victory I goods were impounded and despite official Chinese objections, the company repatriated the goods. Finally, he turned to the MSC Joanna 704a and its US-origin cargo which is currently impounded. Qamzi asked for a formal request for repatriation of the MSC Joanna 704a goods, which is being provided. Qamzi ended his prepared remarks with a motif he would return to throughout the meeting, emphasizing cooperation and communication through "appropriate channels" and keeping dialogue between governments efficient and clear. (COMMENT: A reference, we believe, to articles in the US press regarding the UAE's transshipment and diversion challenges. END COMMENT)

#### UNSCRs Provide a Clear Mandate

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7.(C) ASD Stephens presented information on UNSCR 1718 and UNSCR 1737, stressing the significance of these resolutions and the legal defense they provide for UAE action against proliferators. He relayed actions the U.S. is taking on both resolutions to ensure compliance and welcomed comments from the UAE. In a side-bar discussion, Qamzi told the Ambassador he was chairing monthly CTF meetings regarding the UNSCRs at the MFA in Abu Dhabi and coordinating UAE action.

8.(S) On UNSCR 1718, Qamzi stated the Central Bank froze Tanchon's accounts in the UAE. When ASD Stephens queried Qamzi about DPRK officials that might continue to travel through the UAE, Qamzi replied that he was not aware of any Tanchon or KOMID officials traveling through the UAE. Qamzi requested the U.S. to provide any information on such travels and pledged to check any names the U.S. provided. Stephens also stressed that 1718 calls upon states to exercise vigilance to ensure that their ports and maritime services

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were not inadvertently supporting North Korean vessels engaged in proliferation trade and he asked Qamzi about UAE policies on providing support to DPRK-flagged, owned or operated vessels. Qamzi said he would provide the U.S. a response at a later date. Qamzi also requested a copy of the Department of Commerce's new regulations on exports and re-exports of luxury goods to the DPRK. .

9.(S) Regarding UNSCR 1737, Qamzi provided a breakdown of UAE actions and investigations. He also provided a copy of the UAE's report to the UN Security Council (Ref A). Drawing on a link analysis chart in front of him, Qamzi stated that the UAE has divided its investigation of the entities in the 1737 Annex into two areas, one focusing on Iran's nuclear program and the other on Iran's missile program. The UAE has linked many of the companies it has already closed and will be closing to these programs (including Medina Marketing, Nadel Trading, Mesbah Trading, Farayand, Noor al Mashreq, Sundoos and Pentoos with the nuclear program; and Western Continent, Al Masah, Akeed, Al Murzab, and Precision Tech to the missile program) and is conducting further investigations on others. The UAE is also monitoring several companies which have had contact with Iranian missile-related entities but have not yet engaged in business with them, including "Tic Toc Asia" and "Everest." Qamzi said none of the personnel listed in the 1737 annex have visited the UAE or have commercial businesses there. The UAE committed to share its findings with the U.S. -- including company and personnel information.

ASD Stephens thanked Qamzi for the information, praised the UAE's actions and requested that the UAE provide the U.S. with its link analysis chart.

#### Other Actions Against UAE-based Companies

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10.(S) Qamzi explained what it means to "close" a UAE company. In the absence of an export control law, the UAE takes action by administrative decision. If a company is fully UAE-owned, it is simply shut down. (Note: The UAE had stated on previous occasions that it was difficult to shut down fully UAE-owned companies without having a firm legal case. End note.) If the company is foreign owned, visas are cancelled and then the foreign owners/employees are deported if they do not leave within a set time, normally 30 days. It is more difficult to shut down a company owned by another "state," (i.e., a foreign government), said Qamzi. Regardless of whether the foreign company is privately or government owned, they or the individuals associated with them can never be sponsored again or receive a new license for business in the UAE. The "black list" is shared through security channels and with the chambers of commerce, economic departments and free zone authorities who screen businesses trying to open in the UAE. The list is not, however, made available to the public. Qamzi said Iranians do not mind if you close their business, but take it badly if it is publicized. When asked about whether legal actions are taken against Emirati citizens, Qamzi replied that Emirati sponsors are not witting of the proliferation activities of their foreign partners and have been cooperative when approached by the UAEG. He indicated, however, that the new export control law could allow for legal actions to be taken against the Emirati sponsors.

11.(S) Qamzi said the UAE conducted a search of Bazaar Trading on February 27 and action to close the company should be taken in the coming weeks. He also pledged to investigate the new information passed by the U.S. delegation regarding Daniel Frosch (provided septel). The U.S. delegation emphasized the importance of targeting more than Bazaar and working against Frosch as well. The U.S. also requested updates on the status of the UAE's investigations into Adcom Group and Elmstone Trading, emphasizing that Elmstone could be a candidate for sanctions under the Iran, Syria and North Korea Nonproliferation Act. DAS Borman added that Bazaar Trading and Elmstone Trading will be added to the Commerce Entity List. Qamzi indicated Elmstone Trading has also been put "under surveillance" and implied that Elmstone's operating days were numbered. Qamzi said action to close Medline would also be taken in the coming weeks. Qamzi expressed frustration that information that the UAEG shared with one segment of the USG was not always disseminated to

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other elements of the USG, leading to multiple USG requests for the same information. Stephens agreed to look into these concerns.

Mayrow -- the bad penny

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12.(S) Throughout the CTF meeting, discussion frequently returned to Mayrow General Trading. Stephens referred to Mayrow as a wake-up call regarding our concerns about companies diverting U.S. technology to proliferators and terrorist organizations. He further emphasized that the U.S. is seeking to protect U.S. industry from diversion of their goods. Qamzi said Mayrow has been closed. Commerce DAS Borman shared four additional entities associated with Mayrow which are being added to the General Order -- Ali Akbar Yahya, Sayed-Ali Hosseini, Al-Faris FZE and Amir Mohammad Zahedi. Qamzi said anything related to Mayrow, including other companies operating out of Mayrow's address, will be put out of business and their bank accounts closed. He added that Ali Akbar Yahya and Sayed-Ali Hosseini are awaiting deportation. Qamzi also inquired about the status of Hassan Ghasir, which he described as being a key figure in the Mayrow nexus. We later confirmed that Ghasir had been listed in the June 2006 Mayrow General Order.

13.(S) To USG surprise, Qamzi said the UAE investigation of

Mayrow did not discover evidence of any U.S.-origin equipment being diverted, but that items from China (Hong Kong) and Israel were being provided to Iran. He requested further evidence of a U.S. diversion link. He stated that he had provided this information to U.S. officials and asked for follow-up as well as information on non-UAE companies dealing with Mayrow. The U.S. committed to providing this information. Al Qamzi also said that he had requested more information from the U.S. on the IED attacks involving the use of components of the type traded by Mayrow. Stephens indicated that this information had been passed through separate channels. Finally, Qamzi remarked that it would be difficult to control the electronic components used in IEDs since they were readily available on the international market, including from places like Radio Shack. DAS Borman responded by emphasizing that this is why an export control system should focus not just on commodities, but also on end users and end uses.

#### Export Control Law in the Final Stages

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14.(C) Qamzi said the UAE export control law would be comprehensive and was going to be adopted "sooner rather than later." On March 4, Minister of Economy Sheikha Lubna Al Qassimi told the Ambassador the UAE Cabinet passed the law and forwarded it to the Federal National Council for review. The bill will then go to the Federal Supreme Council -- consisting of the rulers of the seven emirates -- for approval and signature by UAE President Khalifa bin Zayed Al-Nahyan.

15.(C) Qamzi acknowledged the UAE currently lacks the necessary authority to successfully prosecute proliferators, but the new export control law would change that. According to Qamzi, no Emiratis have been implicated in diversion activities, maintaining that they only had "innocent business interests." At first, Qamzi said it is unclear if the new law will allow for Emiratis to be prosecuted, but in response to a question on legal penalties, later said the law will "change everything." He said the law will create necessary processes and encourage education of Emirati businesses to truly know their customers. The U.S. side asked again for a copy of the export control law text.

#### Country Group C Will "Demean All of our CTF Cooperation"

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16.(S) DAS Borman briefed the UAE on the creation of Country Group C for "Destinations of Diversion Concern." He noted that this regulation was published on February 26 and indicated he had personally briefed the UAE Embassy in Washington earlier in the week. DAS Borman noted that we need the ability to treat countries of diversion concern

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distinctly. He explained that heretofore, the U.S. had focused on identifying individual entities, such as Mayrow, for restrictive treatment. The proposed rule would supplement that approach by focusing on export control policy to countries. Borman noted, however, that the proposed rule does not yet identify countries or specific licensing requirements, but lays out five criteria for placement in the new country group. Stephens noted that the UAE is currently in a very favorable country group and that while we have full confidence in the UAE government's control of goods in its possession, we have concerns about the activities of certain commercial entities in the UAE. Qamzi gave his opinion that the new rule could hurt trade. ASD Stephens replied that the regulation is meant to target the diversion of sensitive U.S. technology. He noted that the application of additional export controls to countries place in Country Group C could be narrow or wide. He also noted that the delegation had been instructed to convey that U.S. Deputies, would be looking at the issue again in late April, and hoped that progress by the UAE on export controls and other

counterproliferation areas would preclude the need for further bilateral discussions on the issue of Country Group ¶C. Qamzi clearly grasped the implication of a Country Group C designation and said the Foreign Minister Sheikh Abdullah bin Zayed Al Nahyan was very engaged on the issue. In a lunch discussion, Qamzi told the Ambassador UAE inclusion in Country Group C would "demean all of our CTF cooperation." (NOTE: A March 2 Inside U.S. Trade article alleging that "sources" had said the UAE was the target of the new controls drew ire from Qamzi, al Otaiba, and UAE Economy Minister Sheikha Lubna al Qassimi. End note.)

UNSCR Finance Issues and Appropriate Channels for Communication

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17.(C) OFAC Deputy Director Hammerle gave a briefing on finance issues related to UNSCR 1718 and UNSCR 1737. The presentation illustrated US actions against proliferators, including Iran's Bank Sepah. Qamzi asked if the United Kingdom had taken action against Bank Sepah. ASD Stephens used Bank Sepah as an example of UNSCR 1737 implementation and coordination that is still taking place. ASD Stephens stressed the need to publicize the UNSCRs widely to ensure compliance.

The Commodity Control Group and CTF to Merge

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18.(C) The Ambassador asked how the Executive Committee on Commodity Control Procedures -- the "Commodity Control Group" -- and the CTF would work together, as the two entities have significant overlapping membership and responsibilities. Qamzi said the Committee will merge -- pending approval from the Ministry of Interior -- into the already existing UAE CTF, with the CTF gaining responsibility and membership. The members will evaluate procedures where goods are handled, including in the free zones. The new group will form smaller committees to identify problems and create solutions for implementing export controls. Responding to the question, Qamzi said he will remain the chairman if the new body selects him. DAS Borman suggested working with industry to match new requirements with existing business practices to facilitate industry compliance.

UAE Interdiction Authorities

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19.(S) ASD Stephens suggested that UAEG's interdiction authorities, as they have been communicated to us, are too narrow. He laid out the case for expanded action under the UNSCRs. Qamzi responded with the standard UAE requirements, indicating that goods remaining on a ship in port can only be seized if they pose a grave danger to the UAE. ASD Stephens committed to providing additional background on the international legal basis for a state's national authorities within its territorial waters, urging the UAE to look more closely at the issue. Qamzi believed the export control law might address the issue. Yousef Al Otaiba, Director of International Affairs for the Office of the Crown Prince of

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Abu Dhabi, complained about the need for timely and accurate information as well as the "casual" nature of some requests. ASD Stephens assured Otaiba that the U.S. does not ever deliver "casual requests" and unfortunately the very nature of the information often makes it fragmentary and time sensitive.

PSI

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20.(C) J-5 Colonel Belote provided a briefing on PSI actions and upcoming opportunities for UAE participation. He identified several upcoming interdiction exercises in Europe

and USCENTCOM's Exercise Eagle Resolve as possible events for the UAE to observe or participate in. Colonel Belote also broached a purely bilateral exercise such as a table-top gaming session or a mock inspection of a commercial ship in UAE waters, designed to explore UNSCR 1718/1737 implementation. He emphasized the ability to keep such cooperation low-key and unpublicized. Qamzi replied that he would refer the issue to the Armed Forces, including the Coast Guard, and include it on his own CTF agenda.

The Working Groups

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21.(C) Qamzi noted that this has been a steep learning curve for the UAE, but these changes are necessary to protect the UAE's reputation. Stephens responded by emphasizing that the U.S. welcomes the opportunity to work with the UAE and suggested that we consider meeting again in the fall. The delegations agreed that an Export Control Working Group -- to discuss the new export law and implementation -- is the first priority. The CTF agreed to try and schedule an Export Control Working Group meeting for late April. A UNSCR 1718/UNSCR 1737 Implementation Working Group and a Counterproliferation Cooperation Working Group were proposed for the May timeframe.

"To Do" Lists

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¶22. (S) An extensive list of after action items were identified for both sides and a diplomatic note identifying action items has been sent to the MFA. Action items for the UAE include:

- (1) Update on 1737 implementation, including actions taken against 1737 Annex entities;
- (2) Update on actions/investigations on Mayrow, Bazaar Trading and Elmstone Trading;
- (3) Information on DPRK flag vessels;
- (4) Response on PSI and/or bilateral interdiction exercise proposals; and
- (5) Copy of UAE export control law.

QUINN